



U.S. Department of Justice

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For Immediate Release:

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EVENT:

Defendant:

**OPERATION TRUTH OR CONSEQUENCES
TARGETS BANKRUPTCY FRAUD ACROSS THE COUNTRY;
U.S. TRUSTEES ANNOUNCE BANKRUPTCY FRAUD HOTLINE**

Seventy-eight individuals in 69 separate prosecutions in 36 judicial districts have been charged criminally on a variety of federal bankruptcy fraud and related counts. Deputy Attorney General Paul J. McNulty, Executive Office for U.S. Trustees Acting Director Clifford White, and FBI Assistant Director for the Criminal Investigative Division Chip Burrus, made the announcement today. The announcement is the culmination of "Operation Truth or Consequences," a nationwide sweep that demonstrates the breadth of enforcement actions taken by the Department of Justice to combat bankruptcy fraud and protect the integrity of the bankruptcy system.

Also announced was the creation of a new Internet hotline for reporting suspected bankruptcy fraud to the U.S. Trustee Program, the Department of Justice component that promotes and protects the integrity of the bankruptcy system. Members of the public can now report suspected bankruptcy fraud via email to USTP.Bankruptcy.Fraud@usdoj.gov.

Cases which have been filed in the Eastern District of Michigan, include:

United States. v. Berro et al. Eighteen defendants have been sentenced recently, or are awaiting sentencing, in this large scale fraud case involving credit card bust out schemes where the defendants ran up thousands of dollars of charges on credit cards in a short period of time, used phony checks to reinstate the balances, then filed for bankruptcy to discharge the debt they had fraudulently incurred;

United States v. Davis. Defendant was sentenced to 37 months imprisonment on October 17, 2006 for his fraud in getting Detroit homeowners whose homes were in foreclosure to pay him an advance fee and monthly mortgage payments promising to reinstate their mortgages, then filing phony bankruptcy cases in third party names listing a fake interest in the properties. The bankruptcy filings forestalled the mortgage foreclosure proceedings for several months. The bankruptcy cases were eventually dismissed and the homeowners ended up losing their homes along with all the money they had paid to the defendant;

United States v. Mevorach. Defendant, who was a business manager for a landscaping business, was arrested October 17, 2006 on a complaint for embezzling monies from his employer and then filing bankruptcy petitions in his employer's name to wipe out the business debt in order to conceal his embezzlement; and

United States v. Dorian Hayes. The defendant is scheduled to enter a plea of guilty on October 19, 2006 to making a false oath in bankruptcy for lying about more than \$80,000 in cash she had provided to her mother to purchase a home for her prior to her filing for bankruptcy."

United States Attorney Stephen J. Murphy said, "When debtors avail themselves of the federal bankruptcy provisions, they have to be completely honest and make full disclosure of their financial transactions and activities. Anything less impinges on the integrity of the system and cannot be tolerated. Nor can the federal bankruptcy laws be used to conceal and perpetuate fraud schemes. All these cases involve gross abuses of the federal bankruptcy court system and we will continue to aggressively prosecute such abuses. We are a proud partner in this nationwide effort."

Collectively, the Operation Truth or Consequences bankruptcy fraud sweep includes

charges filed against nine attorneys, two bankruptcy petition preparers, and one former law enforcement officer; alleged concealment of more than \$3 million in assets; use of false Social Security numbers and false identities; submission of forged documents and use of false statements; defrauding of individuals whose homes were in foreclosure; fraudulent receipt of government loans and benefits; and various other unlawful acts.

"Bankruptcy fraud must not be tolerated, if our bankruptcy system is to serve its purpose of helping the honest debtor in need of financial relief," said Acting Director White. "Operation Truth or Consequences highlights the commitment of the Department of Justice and our law enforcement partners to vigorously investigate and prosecute bankruptcy fraud wherever it occurs."

"Today's operation is a comprehensive, nationwide sweep that highlights the scope of bankruptcy fraud and the negative impact on the economy," said FBI Assistant Director Chip Burrus. "Through our collaborative efforts with law enforcement, the FBI remains dedicated to pursuing those individuals who attempt to use our Nation's bankruptcy system to further their criminal intents."

Operation Truth or Consequences is a joint criminal enforcement effort by the U.S. Attorneys' Offices, U.S. Trustee Program, FBI, Department of Housing and Urban Development Office of Inspector General, Social Security Administration Office of Inspector General, U.S. Postal Inspection Service, Internal Revenue Service Criminal Investigation, and U.S. Secret Service.

The charges contained in an indictment, information or criminal complaint are merely allegations, and the defendant is presumed innocent unless and until proven guilty beyond a reasonable doubt.